



The CFO Advisor

Guidance for Small Business Success™

The year is already halfway over, and things are slowly starting to get back to normal after the pandemic — or, as many call it, the “new normal.” Businesses are starting to reopen, and many are now settled into their routine of either working from home, or working while socially distant.

With the transition back to “everyday life,” there are many operational and mindset adjustments that need to be made, from changes in the way we do taxes in a remote work environment to changes in how we keep our team engaged and creative.

In this issue of “**The CFO Advisor**,” you’ll learn tips on how to make the transition back to “normal” for your business as smooth as possible: You’ll learn best practices and tips for getting business back up to speed, how to tackle and overcome your financial worries, and mindset strategies for staying successful. You’ll also learn how to keep productive business relationships, how to manage and maintain your mental and physical health, and much more!

Until next month...

Dwight L. Hulse, CPA/CITP, CGMA

Key Tax Issues You Need To Know If You Will Be Working Remotely Permanently

If you’d like to make your kitchen or your beach house into your permanent office, think about what it might mean for your taxes.

Social distancing orders has forced companies to send workers home and have them work remotely.

The trend might continue.

Indeed, three out of four chief finance officers and finance leaders are considering moving at least 5% of their on-site workforce to remote positions permanently after the pandemic, according to Gartner’s survey of 317 finance executives on March 30.

Depending on where your remote office will be based, there could be additional tax burdens in store for you and your employer.

There’s even greater complexity for individuals who might reside in one state but flee to another location – say, a relative’s residence or to a second home -- to work remotely during the pandemic.

There are some states where as soon as you start working there, you’ll owe money. Those states will make you file a non-resident return and have withholding.

Tax Nexus

Tax presence or nexus, as it’s known in accounting circles, is at the heart of determining how states levy companies and workers.



For companies, there are three factors that determine nexus: property, payroll, and sales.

For example, the payroll element for telecommuting employees based in a different state could give an employer presence there. This could subject the company to state payroll tax registration requirements and corporate income tax obligations

there.

For employees, that could mean they’re subject to tax withholding in the state where they’re working remotely, as well as potential non-resident income tax return filings.

This will depend on the state they’re in and whether they meet thresholds based on income generated or time spent there.

Generally, you pay taxes based on where you work or earn income.

More than two states can be involved in the mix, as well. Consider that COVID-19 has spurred some workers to flee across the country to be with relatives.

It’s one thing if someone who normally works in New York is now working out of New Jersey because they’re working from home. But that employee might say I need to go to Arizona to be with family. It introduces this random tax element.

Multi-state Agreements

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Working Remotely Permanently

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Some states have pacts with other jurisdictions in the area to minimize duplicative taxes and non-resident returns for cross-border workers.



For instance, New Jersey and Pennsylvania have a reciprocal personal income tax agreement, which means Garden State residents working in Pennsylvania won't face the Keystone State's income taxes. Similar agreements are in place among other mid-Atlantic states and a few jurisdictions in the Midwest.

Other states may grant an income tax credit to residents who work elsewhere.

Maybe you worked in New York, but now you work from home in Connecticut for five months. Connecticut will provide you with a credit for taxes paid to New York, but the credit is limited to what Connecticut taxes you on income.

Working While Away

If you're planning to work remotely on a long-term basis, understand how the state you're working from will treat the income.

If you wind up heading to a different state altogether to wait out the pandemic, find out how long you can be there before you're subject to tax reporting requirements.

Different states have different tax treatment. Your income tax liability may change based on the state you're in for work purposes.



"Since you all requested to 'work remotely,' I guess you're happy with this relocation."

A Checklist For Reopening Your Business

As workplaces slowly reopen, employers have to be careful to keep their employees safe. The *JD Supra* website offers this checklist for organizations getting back to work:



• Laws and regulations.

Review government orders to confirm specific health and safety requirements, and evaluate applicable recommendations or guidelines.

• **PPE.** Determine whether personal protective equipment (PPE) is required or recommended for your employees and visitors and, if so, what is available.

• **Social distancing.** Review your workplace to ensure individuals can maintain adequate social distancing throughout the day. Consider whether signage, floor markings, or other precautions should be added.

• **Physical barriers.** In congested areas where social distancing is not possible throughout the workday, limit which employees can access an area and place dividers to separate co-workers from each other and/or customers/visitors.

• **Cleaning/disinfecting.** Establish procedures for cleaning and disinfecting, and ensure they are compliant with any applicable requirements.

• **Common areas.** Consider whether to make common areas open and available, and how they will be maintained and disinfected throughout the day.

• **Personal hygiene.** Display posters and reminders about frequent hand-washing. Provide adequate supplies including hand sanitizer at convenient locations.

• **Health screenings.** Determine whether your business should (or must) engage in any health screenings when returning employees to work. Legal issues have to be considered (e.g. employee privacy rights, local requirements), and employers should establish clear rules for the scope of any screening, frequency, and reporting obligations.

• **Rotating schedules.** Determine whether employees can or should return to work on rotating schedules to ensure social distancing. Legal issues and considerations may include wage and hour and discrimination laws.

• **Training.** Develop a plan for training your employees to ensure they are aware of the health and safety protocols and other rules and restrictions that are applicable to them and to customers/clients.

Are You In Need of a Trusted Business Advisor?

If you are not my client and would like to explore whether we might be a good fit, please contact me. As an experienced business advisor, I have worked not only in private and public industries but also across many functional areas and can help you implement best practice solutions to improve profits.



Do You Have A Tough Accounting / Finance Question You Want Answered?

I love hearing from my small business clients and friends who enjoy reading my monthly newsletter. I'm always looking to answer pressing questions you might have relating to small business.

If you have a question, tip or idea, please call me at 352-450-2880 or email me at dwight@dlhulseconsulting.com. Perhaps I'll feature you in a future issue!

A TOP 10 GUIDE HELPING TO RESHAPE YOUR FINANCES DURING TURBULENT TIMES

Don't Panic. When we panic, our fight versus flight instincts kick in. This panic could get in the way of rational decision making. It is important to take a step back, assess the big picture and make decisions based on facts, not emotions.

Take Inventory. Before you begin any trip, you take an inventory of items needed. The same holds true for your financial services. Make a list of all things financial and get organized: savings, liabilities, cash inflows, expenses, insurance, taxes, and estate plan.

Re-assess your Goals. Both from a personal perspective and a financial perspective. We, as human beings, often make decisions based on what is most important to us. Review your goals and base your decisions on those items you place the most value on. Consider them as S-M-A-R-T goals: specific, measurable, achievable, realistic, and time-bound. Buying a home is one thing; but buying a \$500,000 home in five years with a 20% down-payment is a SMART goal.

Prioritize your Spending. What are your needs versus your wants? Can you cut back or eliminate items you are not using? In today's "subscription" economy, identify any of those services you no longer use or need. This may also be the time to postpone any major purchases.

Review your Insurance Needs. Your most important asset, is your ability to wake up in the morning and earn an income. You and your family depend on it. So make sure it is protected! Review your health insurance, life insurance, disability income insurance, and long-term care insurance. Do you have the right amount? Is it the right type?

Take advantage of what your Employer offers. If you are fortunate to work for a large company, evaluate some of the fringe benefits offered. Maybe there are stock plans with discounts, health savings accounts, flexible savings accounts, and wellness credits. Perhaps there are discounts to major retailers and pre-paid legal plans. It may take time to research, but well worth the investment in time.

Review your Investment Game Plan. With major mar-

kets showing signs of correcting in the first half of 2020, this is the time to review your investable assets. Consider taking advantage of re-balancing the portfolio, consolidating assets, and consider Dollar Cost Averaging back into the market. Work with your investment professional to ensure you take a goals-based approach to investing and make changes that are appropriate to your circumstances.

Note: Dollar Cost Averaging gives the potential for the stock market's ups and downs to work for you because you are purchasing more shares when prices are low and fewer shares when prices are high, resulting in the opportunity to buy more shares at an average share price. Dollar Cost Averaging does provide an easy disciplined way to investing.

Tax Savvy Planning. Control what you can. To a degree, you can make intelligent decisions regarding your finances to help lower your tax burden. Work with your tax professional to understand if tax loss harvesting strategies or Roth IRA conversions make sense. Furthermore, be aware of how the CARES Act may impact your ability to access cash in your retirement plans or allows you to defer your RMDs for the 2020 calendar year.

Estate Planning Review. This is a great time to double-check the beneficiaries on your retirement plans and insurance policies. Furthermore, re-visit your estate documents and ensure your wills have a provision to cover your digital assets.

Don't Neglect your Human Capital! Now is a good time to assess your human capital. Determine whether you should return to school, learn another language, or pursue a graduate degree to enhance your human capital. The more options you have, the better off you will be. So although dollars may be tight, this may be one of the best investments you will make in 2020. Use this time wisely to better position yourself for what lies ahead!

Article submitted by Matthew DelPriore of MML Investors Services, LLC.



Quotes:

"So we shall let the reader answer this question for himself: Who is the happier man, he who has braved the storm of life and lived or he who has stayed securely on shore and merely existed?" — Hunter S. Thompson

"Intelligence is the ability to adapt to change." — Stephen Hawking

"There is only one of you in all time, this expression is unique. And if you block it, it will never exist through any other medium and it will be lost." — Martha Graham

"If you make meaning, you'll make money." — Guy Kawasaki

"The sun himself is weak when he first rises, and gathers strength and courage as the day gets on." — Charles Dickens





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Disclaimer: Any accounting, business, or tax advice contained in this communication, is not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties.

Follow These Furlough Guidelines

Many organizations have instituted furloughs during the COVID-19 crisis. Although businesses may be gradually returning to the "new normal," furloughs will remain an option if the situation deteriorates with a second wave of infections and organizations are again stretched to their financial limits. *The Harvard Business Review* website has some advice for managers contemplating furloughs:

- **Make sure they're appropriate.**

Furloughs are a temporary measure. If you anticipate structural changes to your organization as a result of the outbreak, you'll only delay layoffs and lose the trust of your workforce.

- **Consider employees carefully.**

Part-time, temporary, and contract employees may not be eligible to receive unemployment benefits during an unpaid furlough, and administrative costs may exceed the benefits. Star employees may use the furlough to find new jobs.

- **Watch for hidden costs.** Although workers receive no pay during furlough, many organizations continue to cover health insurance as a best practice and retention tool. However, many insurance plans place a limit on how long furlough coverage can last.

- **Check the law.** Different states may have different requirements about what constitutes work. You may have to confiscate company cell phones and laptops as part of a furlough. Do your legal homework.

- **Be fair.** You may be tempted to furlough only underperforming employees, which may be perceived as unfair. Your best bet is to spread the pain as evenly as you can, by rotating furloughs or imposing an overall reduction of working hours across the board. Whatever you decide, give as much notice as you can so employees can prepare.



KEEP YOUR TEAM CREATIVE DURING LOCKDOWN

Working from home isn't likely to go away soon even as restrictions on gatherings ease. You don't have to give up on innovation during the lockdown, though. The *PR News* website has some ideas for keeping your teams energized:

- **Try virtual brainstorming.**

You can brainstorm with Skype or Zoom, but it'll work better if people do a little extra preparation ahead of time. Set the stage for the discussion in advance so people have time to think about the subject. They'll arrive ready to quickly get into the flow.

- **Encourage connections.** Remind employees to get together on the phone or virtually instead of just relying on email for all communication. Set up regular chats where people can just talk and enjoy each other's company.

- **Experiment.** Try something different, like switching around the people you invite to meetings or limiting the number of participants. Shaking things up a bit can shift perspectives and lead to fresh ideas.

- **Stay positive.** The stress and worry we're all experiencing can take a toll on morale and imagination. Do your best to frame situations and even problems in a positive way. For example, instead of focusing on the consequences of not solving a problem, emphasize the challenge and the positive results of coming up with a solution.

- **Practice transparency.** Be open about the challenges your organization is facing. This lets people know you trust them, and will build their confidence in their ability to overcome the obstacles facing you.

